

**REPORT OF THE AUDIT OF THE  
UNION COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2009**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE UNION COUNTY FISCAL COURT**

**June 30, 2009**

The Auditor of Public Accounts has completed the audit of the Union County Fiscal Court for fiscal year ended June 30, 2009. We have issued an unqualified opinion on the governmental activities, the business-type activities, each major fund, and the aggregate remaining funds of Union County, Kentucky.

#### **Financial Condition:**

The fiscal court had net assets of \$30,811,042 as of June 30, 2009. The fiscal court had unrestricted net assets of \$7,018,200 in its governmental activities as of June 30, 2009, with total net assets of \$30,767,742. In its business-type activities, total net cash and cash equivalents were \$43,300 with total net assets of \$43,300. The fiscal court had total debt principal as of June 30, 2009 of \$1,900,000 with \$170,000 due within the next year.

#### **Report Comments:**

- 2009-01** Lack Of Adequate Internal Controls Over The Collection Of And Accounting For Occupational And Net Profits Taxes
- 2009-02** Lack Of Adequate Segregation Of Duties Over Revenues And Bank Reconciliations And Financial Statement Preparation
- 2009-03** Lack Of Adequate Internal Controls Over Decentralized Receipts
- 2009-04** Lack Of Adequate Internal Controls Over Expenditures
- 2009-05** The Union County Jail Lacks Adequate Segregation Of Duties Over The Accounting Functions
- 2009-06** The Jailer Should Require Daily Receipt Batching, Daily Check Out Sheets, And Daily Deposits
- 2009-07** The Jailer Should Require Accurate Accounting Records Be Maintained
- 2009-08** The Jailer Should Submit A Year-End Canteen Report To The County Treasurer

#### **Deposits:**

The fiscal court's deposits as of June 30, 2009 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured                      \$44,408

The fiscal court's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.



<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT .....	1
UNION COUNTY OFFICIALS .....	3
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	4
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS .....	13
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS.....	16
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	20
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	24
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS .....	29
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS .....	33
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS .....	37
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS .....	41
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS .....	45
NOTES TO FINANCIAL STATEMENTS .....	47
BUDGETARY COMPARISON SCHEDULES .....	61
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	65
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	69
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	73
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	77
COMMENTS AND RECOMMENDATIONS .....	81
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Jody L. Jenkins, Union County Judge/Executive  
Members of the Union County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining funds of Union County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Union County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Union County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining funds of Union County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the modified cash basis of accounting.

The Management's Discussion and Analysis and the Budgetary Comparison Schedules are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Jody L. Jenkins, Union County Judge/Executive  
Members of the Union County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union County, Kentucky's basic financial statements. The accompanying combining fund financial statements are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated November 3, 2009 on our consideration of Union County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit we present the following comments and recommendations, included herein, which discusses the following report comments:

- 2009-01** Lack Of Adequate Internal Controls Over The Collection Of And Accounting For Occupational And Net Profits Taxes
- 2009-02** Lack Of Adequate Segregation Of Duties Over Revenues And Bank Reconciliations And Financial Statement Preparation
- 2009-03** Lack Of Adequate Internal Controls Over Decentralized Receipts
- 2009-04** Lack Of Adequate Internal Controls Over Expenditures
- 2009-05** The Union County Jail Lacks Adequate Segregation Of Duties Over The Accounting Functions
- 2009-06** The Jailer Should Require Daily Receipt Batching, Daily Check Out Sheets, And Daily Deposits
- 2009-07** The Jailer Should Require Accurate Accounting Records Be Maintained
- 2009-08** The Jailer Should Submit A Year-End Canteen Report To The County Treasurer

Respectfully Submitted,



Critt Luallen  
Auditor of Public Accounts

November 3, 2009



UNION COUNTY OFFICIALS

For The Year Ended June 30, 2009

**Fiscal Court Members:**

Jody L. Jenkins	County Judge/Executive
Terry Rodgers	Magistrate
Jerri Floyd	Magistrate
Chuck Voss	Magistrate
Joe Wells	Magistrate
Joe Clements	Magistrate

**Other Elected Officials:**

Brucie W. Moore	County Attorney
James Marty Girten	Jailer
Trey Peak	County Clerk
Sue Beaven	Circuit Court Clerk
Mike Thompson	Sheriff
Ben Waller	Property Valuation Administrator
Stephen Shouse	Coroner

**Appointed Personnel:**

Lissa Gibson	County Treasurer
Vicki O'Nan	Finance Officer

*Union County Judge/Executive*

(270) 389-1081

P.O. BOX 60 · MORGANFIELD, KENTUCKY 42437-0060

FAX (270) 389-4232

*Jody Jenkins*  
Judge/Executive**Management's Discussion and Analysis  
June 30, 2009**

The financial management of Union County, Kentucky offers readers of Union County's financial statements this narrative overview and analysis of the financial activities of Union County for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

**Financial Highlights.**

- Union County had net assets of \$30,811,042 as of June 30, 2009. The fiscal court had unrestricted net assets of \$7,018,200 in the governmental funds as of June 30, 2009, with total net assets of \$30,767,742. In its enterprise fund, cash and cash equivalents were \$43,300 with total assets of \$43,300. Total debt for governmental funds principal as of June 30, 2009 was \$1,900,000 with \$170,000 due within one year.
- The governmental fund's total net assets decreased by \$216,115 from the prior year. This decrease is primarily due to changes in governmental owned property.
- At the close of the current fiscal year, Union County governmental funds reported current assets of \$6,724,301. Of this amount \$6,680,330 is available for spending at the government's discretion (unreserved fund balance).
- Union County's total indebtedness at the close of fiscal year June 30, 2009 was \$1,900,000 of which \$1,730,000 is long-term debt (due after 1 year) and \$170,000 is short-term debt (to be paid within 1 year).

**Overview of the Financial Statements.**

This management discussion and analysis is intended to serve as an introduction to Union County's basic financial statements. Union County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Union County**  
**Management's Discussion and Analysis**  
**June 30, 2009**  
**(Continued)**

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Union County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Union County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Union County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Union County's governmental activities include general government, protection to persons and property, roads, recreation and culture, general health and sanitation, bus services, social services, other transportation facilities and services, debt service, and capital projects. Union County has one business type activity - the Jail Canteen Fund.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Union County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Union County can be divided into broad categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

**Union County  
Management's Discussion and Analysis  
June 30, 2009  
(Continued)**

**Governmental Funds. (Continued)**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Union County maintains (6) six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Major Funds:

- General Fund
- Road Fund
- Jail Fund
- Local Government Economic Assistance Fund

Non-major Funds:

- Grant Fund
- Debt Service Fund

Union County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

**Proprietary Fund.** The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statement provides separate information for the Jail Canteen Fund.

**Fiduciary Fund Financial Statements.** These funds are used to account for resources held for custodial purposes. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the programs of the county. The accounting used for fiduciary funds is much like that used for proprietary funds. The county's fiduciary fund is the Jail Inmate Account.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Net Assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

**Union County  
Management's Discussion and Analysis  
June 30, 2009  
(Continued)**

**Table 1  
Union County's Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2008	2009	2008	2009	2008	2009
<b>Assets</b>						
Current and other assets	6,103,351	7,122,421	36,778	43,300	6,140,129	7,165,721
Capital assets	25,940,506	25,545,321	0	0	25,940,506	25,545,321
Total Assets	32,043,857	32,667,742	36,778	43,300	32,080,635	32,711,042
<b>Liabilities</b>						
Current and other liabilities	125,000	170,000	0	0	125,000	170,000
Long-term liabilities	935,000	1,730,000	0	0	935,000	1,730,000
Total Liabilities	1,060,000	1,900,000	0	0	1,060,000	1,900,000
<b>Net Assets</b>						
Invested in capital assets, net of related debt	24,880,506	23,645,321	0	0	24,880,506	23,645,321
Restricted	72,797	104,221	0	0	72,797	104,221
Unrestricted	6,030,554	7,018,200	36,778	43,300	6,067,332	7,061,500
Total Net Assets	30,983,857	30,767,742	36,778	43,300	31,020,635	30,811,042

**Changes in Net Assets.**

*Governmental Activities.* Union County's net assets increased by \$216,115 in fiscal year 2009. The key element in that increase was the reduction of debt.

*Business-type Activities.* Union County's net assets increased by \$6,522.

**Union County**  
**Management's Discussion and Analysis**  
**June 30, 2009**  
**(Continued)**

**Union County Statement of Activities Comparison**  
**Governmental                      Business-type**  
**Activities                              Activities**

	2008	2009	2008	2009	2008	2009
<b>Program Expenses</b>						
General Government	2,910,064	3,093,389			2,910,064	3,093,389
Protection to Persons and Property	1,153,203	929,855			1,153,203	929,855
General Health and Sanitation	143,969	123,014			143,969	123,014
Social Services	307,025	291,030			307,025	291,030
Recreation and Culture	277,885	12,334			277,885	12,334
Roads	1,946,517	2,111,396			1,946,517	2,111,396
Bus Services	76,688	91,485			76,688	91,485
Interest on Long-Term Debt	34,694	60,072			34,694	60,072
Capital Projects	663,330	1,652,412			663,330	1,652,412
Jail Canteen			95,790	31,900	95,790	31,900
Total Expenses	7,513,375	8,364,987	95,790	31,900	7,609,165	8,396,887
<b>Program Revenues</b>						
Charges for Services	483,429	439,140	98,572	38,422	582,001	477,562
Operating Grants and Contributions	2,272,488	2,576,456	0	0	2,272,488	2,576,456
Capital Grants & Contributions	1,552,949	1,953,728	0	0	1,552,949	1,953,728
Total Program Revenues	4,308,866	4,969,324	98,572	38,422	4,407,438	5,007,746
<b>General Revenues</b>						
Taxes	1,873,839	1,770,144	0	0	1,873,839	1,770,144
Excess Fees	265,431	271,201	0	0	265,431	271,201
Unrestricted Investment Earnings	256,424	157,231	0	0	256,424	157,231
Miscellaneous Revenues	924,379	980,972			924,379	980,972
Total General Revenues	3,320,073	3,179,548			3,320,073	3,179,548
Total Revenue	7,628,939	8,148,872	98,572	38,422	7,727,511	8,187,294
Chg Net Asset	115,564	(216,115)	2,782	6,522	118,346	(209,593)
Beg Net Assets	30,868,293	30,983,857	33,996	36,778	30,902,289	31,020,635
End Net Assets	30,983,857	30,767,742	36,778	43,300	31,020,635	30,811,042

**Union County  
Management's Discussion and Analysis  
June 30, 2009  
(Continued)**

**Financial Analysis of the County's Funds.**

As noted earlier, Union County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

*Governmental Funds Overview.* The focus of Union County governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of June 2009 fiscal year, the combined ending fund balances of County governmental funds were \$6,724,301. Approximately 99% (\$6,680,330) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance of \$43,971 is reserved to indicate that it is not available for new spending because it is committed for debt service.

The General Fund is the chief operating fund of Union County. At the end of June 30, 2009 fiscal year, unreserved fund balance of the General Fund was \$3,152,430. The County received \$1,770,052 in real and personal property, motor vehicle, and other taxes for approximately 64% of the county's general revenues. Various other service fees and miscellaneous revenues contribute to the remaining 36% of revenues.

The Road Fund is the fund related to County road and bridge construction and maintenance. Expenditures for fiscal year ended June 30, 2009 totaled \$1,820,470.

The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund's main source of revenue was from housing of prisoners. The General Fund contributed \$600,000 to the jail operations.

The Local Government Economic Assistance Fund's primary source of revenue comes from coal severance and mineral taxes. It had an ending balance of \$687,897.

*Proprietary Funds Overview.* The County's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Union County's proprietary fund is the Jail Canteen Fund. The Jail Canteen Fund's total cash balance was \$43,300.

**General Fund Budgetary Highlights.**

Union County's General Fund budget was amended during the fiscal year increasing the budgeted amount by \$145,000. Budget amendments were made to various expenditures due to grants awarded, monies provided for road projects and excess prior year monies in the jail fund needed to offset unbudgeted medical costs.

**Union County**  
**Management's Discussion and Analysis**  
**June 30, 2009**  
**(Continued)**

**Capital Assets and Debt Administration.**

*Capital Assets.* Union County's investment in capital assets for its government and business type activities as of June 30, 2009, amount to \$25,545,321 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles, infrastructure, and construction in progress for senior citizens building.

Additional information about the County's capital assets can be found in Note 4 of this report.

**Table 3**  
**Union County's Capital Assets, Net of Accumulated Depreciation**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2008	2009	2008	2009	2008	2009
Infrastructure Assets	20,388,151	19,433,539	0	0	20,388,151	19,433,539
Land	386,375	478,485	0	0	386,375	478,485
Construction In Progress	0	60,453	0	0	0	60,453
Bldgs. & Improvements	4,129,844	4,348,386	0	0	4,129,844	4,348,386
Other Equipment	294,628	366,039	0	0	294,628	366,039
Vehicles & Equip.	741,508	858,419	0	0	741,508	858,419
Total Net Capital Assets	25,940,506	25,943,441	0	0	25,940,506	25,545,321

*Long-Term Debt.* At the end of the 2009 fiscal year, Union County had total bonded debt outstanding of \$1,900,000 from General Obligation Bond principal payments.

**Other Matters.** The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2010 fiscal year budget:

- The 2010 fiscal year adopted budget continues most services at current levels.
- The cost of housing prisoners and their medical bills will have a negative impact on funding for our detention center.
- The rapid growth of the cost of solid waste to the County is becoming a big expense in the County's operating budget.

**Requests For Information.**

This financial report is designed to provide a general overview of Union County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Union County Treasurer, P O Box 60, Morganfield, Kentucky 42437.



**UNION COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2009**



**UNION COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2009**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 6,724,301	\$ 43,300	\$ 6,767,601
Total Current Assets	6,724,301	43,300	6,767,601
Noncurrent Assets:			
Receivables	398,120		398,120
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	478,485		478,485
Construction in Progress	60,453		60,453
Buildings	4,348,386		4,348,386
Other Equipment	366,039		366,039
Vehicles and Equipment	858,419		858,419
Infrastructure	19,433,539		19,433,539
Total Noncurrent Assets	25,943,441		25,943,441
Total Assets	32,667,742	43,300	32,711,042
<b>LIABILITIES</b>			
Current Liabilities:			
Financing Obligations	35,000		35,000
Bonds	135,000		135,000
Total Current Liabilities	170,000		170,000
Noncurrent Liabilities:			
Financing Obligations	930,000		930,000
Bonds	800,000		800,000
Total Noncurrent Liabilities	1,730,000		1,730,000
Total Liabilities	1,900,000		1,900,000
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	23,645,321		23,645,321
Restricted For:			
Debt Service	104,221		104,221
Due Inmates			
Unrestricted	7,018,200	43,300	7,061,500
Total Net Assets	\$ 30,767,742	\$ 43,300	\$ 30,811,042

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**UNION COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2009**

**UNION COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 3,093,389	\$ 45,078	\$ 172,178	\$ 120,311
Protection to Persons and Property	929,855	260,114	208,216	142,400
General Health and Sanitation	121,111	59,237	26,709	
Social Services	274,263		441,023	
Recreation and Culture	31,004	74,711		68,551
Roads	2,111,396		1,648,735	
Bus Services	91,485		79,595	
Interest on Long-term Debt	60,072			
Capital Projects	1,652,412			1,622,466
Total Governmental Activities	8,364,987	439,140	2,576,456	1,953,728
Business-type Activities:				
Jail Canteen	31,900	38,422		
Total Business-type Activities	31,900	38,422		
Total Primary Government	\$ 8,396,887	\$ 477,562	\$ 2,576,456	\$ 1,953,728

**General Revenues:**

Taxes:

Real Property Taxes  
Personal Property Taxes  
Motor Vehicle Taxes  
Occupational Tax  
Other Taxes

Excess Fees

In Lieu Taxes

Miscellaneous Revenues

Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

UNION COUNTY  
 STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
 For The Year Ended June 30, 2009  
 (Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (2,755,822)	\$	\$ (2,755,822)
(319,125)		(319,125)
(35,165)		(35,165)
166,760		166,760
112,258		112,258
(462,661)		(462,661)
(11,890)		(11,890)
(60,072)		(60,072)
(29,946)		(29,946)
(3,395,663)		(3,395,663)
	6,522	6,522
	6,522	6,522
(3,395,663)	6,522	(3,389,141)
444,633		444,633
76,467		76,467
138,768		138,768
910,435		910,435
199,841		199,841
271,201		271,201
147,273		147,273
833,699		833,699
157,231		157,231
3,179,548		3,179,548
(216,115)	6,522	(209,593)
30,983,857	36,778	31,020,635
\$ 30,767,742	\$ 43,300	\$ 30,811,042

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY



**UNION COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2009**

**UNION COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2009**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,155,115	\$ 2,756,182	\$ 10,617	\$ 687,897
Total Assets	<u>3,155,115</u>	<u>2,756,182</u>	<u>10,617</u>	<u>687,897</u>
<b>FUND BALANCES</b>				
Fund Balances:				
Reserved for:				
Encumbrances	2,685	25,400	4,210	11,676
Unreserved:				
General Fund	3,152,430			
Special Revenue Funds		2,730,782	6,407	676,221
Debt Service Fund				
Total Fund Balances	<u>\$ 3,155,115</u>	<u>\$ 2,756,182</u>	<u>\$ 10,617</u>	<u>\$ 687,897</u>

The accompanying notes are an integral part of the financial statements.

**UNION COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2009**  
**(Continued)**

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
<u>\$ 114,490</u>	<u>\$ 6,724,301</u>
<u>114,490</u>	<u>6,724,301</u>
	43,971
	3,152,430
10,269	3,423,679
<u>104,221</u>	<u>104,221</u>
<u>\$ 114,490</u>	<u>\$ 6,724,301</u>

**Reconciliation of the Balance Sheet -Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 6,724,301
Receivables	398,120
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	51,697,956
Accumulated Depreciation	(26,152,635)
Long - term Debt Is Not Due and Payable in the Current Period And, Therefore, Is Not Reported In The Funds.	
Due Within One Year - Bond and Financing Obligation Principal Payments	(170,000)
Due In More Than One Year - Bond and Financing Obligation Principal Paym	(1,730,000)
Net Assets Of Governmental Activities	<u>\$ 30,767,742</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**UNION COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

**UNION COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>REVENUES</b>				
Taxes	\$ 1,770,052	\$	\$	\$
In Lieu Tax Payments	147,273			
Excess Fees	271,201			
Licenses and Permits	12,523			
Intergovernmental	191,374	1,117,442	277,531	3,067,621
Charges for Services			40,367	125,289
Miscellaneous	288,307	252,174	9,723	321,155
Interest	68,350	80,169	11	8,701
Total Revenues	<u>2,749,080</u>	<u>1,449,785</u>	<u>327,632</u>	<u>3,522,766</u>
<b>EXPENDITURES</b>				
General Government	1,200,891	375,011		464,158
Protection to Persons and Property	56,834		679,054	384,788
General Health and Sanitation				121,111
Social Services	1,903			252,420
Recreation and Culture	18,670			217,410
Roads		1,159,504		
Bus Services				91,485
Debt Service	162,056			
Capital Projects	398,120			1,744,522
Administration	416,663	285,955	242,881	187,070
Total Expenditures	<u>2,255,137</u>	<u>1,820,470</u>	<u>921,935</u>	<u>3,462,964</u>
Excess (Deficiency) of Revenues Over Expenditure Before Other Financing Sources (Uses)	<u>493,943</u>	<u>(370,685)</u>	<u>(594,303)</u>	<u>59,802</u>
<b>Other Financing Sources (Uses)</b>				
Financing Agreement Proceeds	1,000,000			
Transfers From Other Funds			600,000	
Transfers To Other Funds	(600,000)			
Total Other Financing Sources (Uses)	<u>400,000</u>	<u></u>	<u>600,000</u>	<u></u>
Net Change in Fund Balances	893,943	(370,685)	5,697	59,802
Fund Balances - Beginning (Restated)	2,261,172	3,126,867	4,920	628,095
Fund Balances - Ending	<u>\$ 3,155,115</u>	<u>\$ 2,756,182</u>	<u>\$ 10,617</u>	<u>\$ 687,897</u>

The accompanying notes are an integral part of the financial statements.

UNION COUNTY  
 STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
 For The Year Ended June 30, 2009  
 (Continued)

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$	\$ 1,770,052
	147,273
	271,201
	12,523
89,440	4,743,408
10,169	175,825
	871,359
	157,231
<u>99,609</u>	<u>8,148,872</u>
	2,040,060
9,400	1,130,076
	121,111
	254,323
	236,080
	1,159,504
	91,485
58,016	220,072
	2,142,642
	1,132,569
<u>67,416</u>	<u>8,527,922</u>
<u>32,193</u>	<u>(379,050)</u>
	1,000,000
	600,000
	<u>(600,000)</u>
	<u>1,000,000</u>
32,193	620,950
82,297	6,103,351
<u>\$ 114,490</u>	<u>\$ 6,724,301</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY



**UNION COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**



**UNION COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

Net Change in Fund Balances - Total Governmental Funds	\$ 620,950
Governmental Funds Report Capital Outlays As Expenditures. However, In The Statement Of Activities, The Cost Of Those Assets Is Allocated Over Their Estimated Useful Lives And Reported As Depreciation Expense.	
Capital Outlay	778,740
Construction in Progress	60,453
Depreciation Expense	(1,234,378)
Receivables Principal Loaned	398,120
The Issuance Of Long-term Debt (e.g. Bonds, Financing Obligations) Provides Current Financial Resources To Governmental Funds While Principal Payments Are Expenses In The Governmental Funds As A Use Of Current Financial Resources. These Transactions, However Have No Effect On Net Assets.	
Financing Obligation Proceeds	(1,000,000)
Financing Obligation Payments	35,000
Bond Payments	<u>125,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (216,115)</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**UNION COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2009**



**UNION COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2009**

	<b>Business-Type Activity - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 43,300
Total Current Assets	<u>43,300</u>
<b>Net Assets</b>	
Unrestricted	<u>43,300</u>
Total Net Assets	<u><u>\$ 43,300</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY



**UNION COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**



**UNION COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

	<b>Business-Type Activity - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 38,422
Total Operating Revenues	<u>38,422</u>
<b>Operating Expenses</b>	
Cost of Sales	29,925
Entertainment	702
Sales Tax	707
Miscellaneous	<u>566</u>
Total Operating Expenses	<u>31,900</u>
Operating Income	<u>6,522</u>
Change In Net Assets	6,522
Total Net Assets - Beginning (Restated)	<u>36,778</u>
Total Net Assets - Ending	<u><u>\$ 43,300</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**UNION COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**



**UNION COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

	<b>Business-Type Activity - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Cash Flows From Operating Activities</b>	
Receipts From Customers	\$ 38,422
Cost of Sales	(29,925)
Entertainment	(702)
Sales Tax	(707)
Miscellaneous	(566)
Net Cash Provided By Operating Activities	<u>6,522</u>
Net Increase in Cash and Cash Equivalents	6,522
Cash and Cash Equivalents - July 1, 2008	<u>36,778</u>
Cash and Cash Equivalents - June 30, 2009	<u><u>\$ 43,300</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	<u>\$ 6,522</u>
Total Cash Provided By Operating Activities	<u><u>\$ 6,522</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY



**UNION COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2009**



**UNION COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2009**

	<u><b>Agency Fund</b></u> <u><b>Inmate</b></u> <u><b>Account</b></u>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 2,532
Total Assets	<u>2,532</u>
<b>Liabilities</b>	
Amounts Held In Custody For Others	<u>2,532</u>
Total Liabilities	<u>2,532</u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	47
NOTE 2.	DEPOSITS .....	53
NOTE 3.	RECEIVABLE .....	53
NOTE 4.	CAPITAL ASSETS .....	54
NOTE 5.	LONG-TERM DEBT .....	55
NOTE 6.	COMMITMENTS AND CONTINGENCIES .....	56
NOTE 7.	EMPLOYEE RETIREMENT SYSTEM .....	56
NOTE 8.	DEFERRED COMPENSATION .....	57
NOTE 9.	INSURANCE .....	57
NOTE 10.	PRIOR PERIOD ADJUSTMENT .....	58

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county prepares its government wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets among other items are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Union County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or their exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provided their services exclusively or almost entirely to the primary government, or their governing bodies are substantially the same as the primary government. The county has no component units.

**C. Union County Elected Officials**

Kentucky Law provides for election of the officials below from the geographic area constituting Union County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These officials are not part of the Union County reporting entity.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary Funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, 2) operating grants and contributions, and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3<sup>rd</sup> Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are a least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds**

The government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The purpose of this fund is to account for general health and sanitation, social services, and economic assistance expenses of the county. The primary sources of revenue are state grants, coal and mineral severance taxes, landfill user fees, and recreational area user fees. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

The government also has the following non-major funds: Grant Fund and Debt Service Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, and Grant Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Debt Service Fund:**

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Enterprise Fund:**

The principal operating revenues of the county's enterprise fund is charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**Fiduciary Funds**

Fiduciary funds report only those resources held in trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund, the Jail Inmate Account, is used to account for inmate monies held by the Jailer for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore it has no measurement focus.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).



**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	50
Buildings and Building Improvements	25,000	50
Machinery and Equipment	10,000	15
Vehicles	10,000	5
Infrastructure	10,000	12 - 50

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose and encumbrances.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity (Continued)**

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The State Local Finance Officer does not require a formal budget to be adopted for the Jail Canteen Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**J. Joint Ventures**

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following are considered joint ventures of the Union County Fiscal Court:

West Kentucky Regional Industrial Authority

The Union County Fiscal Court (Fiscal Court) has retained an ongoing financial interest in the West Kentucky Regional Industrial Authority (Industrial Authority). The Industrial Authority is a joint venture between the Fiscal Court and Webster and McLean County Fiscal Courts. Upon dissolution of the Industrial Authority, assets will be returned to the participating Fiscal Courts on a pro-rata basis.

North Pennyryle E-911 Fund

The Union County Fiscal Court (Fiscal Court) has retained an ongoing financial interest in the North Pennyryle E-911. The North Pennyryle E-911 is a joint venture between the Fiscal Court, the Kentucky State Police, Lyon, Caldwell, Crittenden, and Livingston County Fiscal Courts. This fund was created to distribute E-911 taxes collected on phone services for the aforementioned counties and the Kentucky State Police and to pay related E-911 expenses.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 2. Deposits**

The County maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) in accordance with KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the county's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement. The County's bank balances of \$6,317,575 were exposed to custodial credit risk as follows;

- \$44,408 unsecured and uncollateralized

**Note 3. Receivable**

The Union County Fiscal Court (lender) entered into a promissory note with Breckinridge Services, Inc. (borrower) to pay the Union County Fiscal Court, the principal amount of \$1,000,000 or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of each advance. Interest shall be calculated from the date of each advance until repayment is made in full. The borrower will pay interest at an annual rate of 4.5%. If, in October 2028, the borrower still owes an amount under this note, the borrower will pay those amounts in full on that date, which is called the "Maturity Date". During the first 24 months, beginning with the first advance on this note the borrower will make interest payments only. Beginning on the 25<sup>th</sup> month following the 1<sup>st</sup> advance the borrower will pay principal and interest by making a payment each month. The beginning balance at July 1, 2008 was \$0. The total amount borrowed during fiscal year 2009 was \$398,120; therefore, the outstanding principal balance at June 30, 2009 was \$398,120.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 4. Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 386,375	\$ 92,110	\$	\$ 478,485
Construction in Progress		60,453		60,453
Total Capital Assets Not Being Depreciated	386,375	152,563		538,938
Capital Assets, Being Depreciated:				
Buildings	5,365,696	306,300		5,671,996
Other Equipment	386,148	91,020		477,168
Vehicles and Equipment	3,119,367	259,955		3,379,322
Infrastructure	41,601,177	29,355		41,630,532
Total Capital Assets Being Depreciated	50,472,388	686,630		51,159,018
Less Accumulated Depreciation For:				
Buildings	(1,235,852)	(87,758)		(1,323,610)
Other Equipment	(91,520)	(19,609)		(111,129)
Vehicles and Equipment	(2,377,859)	(143,044)		(2,520,903)
Infrastructure	(21,213,026)	(983,967)		(22,196,993)
Total Accumulated Depreciation	(24,918,257)	(1,234,378)		(26,152,635)
Total Capital Assets, Being Depreciated, Net	25,554,131	(547,748)		25,006,383
Governmental Activities Capital Assets, Net	\$ 25,940,506	\$ (395,185)	\$ 0	\$ 25,545,321

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 59,217
Protection to Persons and Property	73,872
Social Services	19,940
Recreation and Culture	21,224
Roads	1,060,125
Total Depreciation Expense - Governmental Activities	\$ 1,234,378

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 5. Long-term Debt**

**A. General Obligation Refunding Bonds, Series 2003**

On March 19, 2003, the Union County Fiscal Court issued General Obligation Refunding Bonds, Series 2003 in the amount of \$1,630,000. The bonds were dated February 1, 2003, payable semi-annually on March 1 and September 1, beginning September 1, 2003. The interest rate on the bonds ranges from 1.00% to 3.70%. The bonds were issued in denominations of \$5,000 each or integral multiples thereof and mature at various dates beginning February 1, 2004 through February 1, 2015. The bonds are subject to early redemption prior to maturity. Principal outstanding as of June 30, 2009 was \$935,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Principal Amount	Scheduled Interest
2010	\$ 135,000	\$ 28,859
2011	135,000	25,063
2012	145,000	20,681
2013	150,000	15,775
2014	155,000	10,513
2015-2016	215,000	6,120
Totals	<u>\$ 935,000</u>	<u>\$ 107,011</u>

**B. Financing Obligations – Economic Development**

On September 22, 2008, the Union County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) in the sum of \$1,000,000 at a 4.007% effective interest rate. The financing obligation is to finance the construction of a nursing home facility to be located in Union County. The maturity date of the obligation is January 20, 2029. The balance of the obligation at June 30, 2009 was \$965,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Principal Amount	Scheduled Interest
2010	\$ 35,000	\$ 35,456
2011	35,000	35,095
2012	35,000	33,848
2013	40,000	32,373
2014	40,000	30,860
2015-2019	215,000	130,865
2020-2024	260,000	86,122
2025-2029	305,000	32,974
Totals	<u>\$ 965,000</u>	<u>\$ 417,593</u>

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**C. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 1,060,000	\$	\$ 125,000	\$ 935,000	\$ 135,000
Financing Obligations		1,000,000	35,000	965,000	35,000
Governmental Activities					
Long-term Liabilities	<u>\$ 1,060,000</u>	<u>\$ 1,000,000</u>	<u>\$ 160,000</u>	<u>\$ 1,900,000</u>	<u>\$ 170,000</u>

**Note 6. Commitments and Contingencies**

**A. Ambulance Service Contract**

Union County is currently operating under a lease agreement with the Union County Methodist Hospital regarding ambulance service for Union County including garage facilities. The contract states the County is liable for monthly deficits of the ambulance service. The contract provides no maximum expense for which the County is liable. During fiscal year ended June 30, 2009, the County paid \$91,148 to the Union County Methodist Hospital for ambulance support. The County purchased two ambulances totaling \$125,140 for the ambulance service. The County also paid \$1,912 directly to vendors for program support of the ambulance service.

**B. Solid Waste Interlocal Agreement**

In response to KRS 224.830 and reducing solid waste stream at municipal landfills by 25%, Union County entered into an interlocal agreement with Henderson and Webster Counties and Cities of Henderson and Corydon establishing a Solid Waste Recycling Facility and Program for these areas. All parties have agreed to fund the operational expenses of this organization. Union County is responsible for 20% of the Solid Waste Recycling Facility and Program operating budget. The expense incurred by Union County under this agreement for fiscal year ended June 30, 2009, was \$19,456.

**Note 7. Employee Retirement System**

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 29.50 percent.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 7. Employee Retirement System (Continued)**

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky, 40601-6124, or by telephone at 502-564-4646.

**Note 8. Deferred Compensation**

On June 24, 1986, the Union County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, Kentucky, 40601-8862, or by telephone at (502) 573-7925.

**Note 9. Insurance**

For the fiscal year ended June 30, 2009, Union County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 10. Prior Period Adjustment**

The prior year net asset ending balances have been restated for the following:

	Governmental Activities
Net Assets Ending Balance Prior Year	<u>\$32,292,175</u>
Plus:	
General Fund Prior Year Voided Checks	931
Plus:	
Capital Assets Not Included In Prior Year	\$ 66,000
Accumulated Depreciation Of Capital Assets Not Included In Prior Year	(8,100)
Less:	
Capital Assets Erroneously Included In Prior Year	(1,511,149)
Accumulated Depreciation Of Capital Assets Erroneously Included In Prior Year	<u>144,000</u>
Subtotal To Asset Adjustment	<u>(1,309,249)</u>
Net Assets Beginning Balance - Restated	<u><u>\$30,983,857</u></u>
	Business-type Activities
Net Assets Ending Balance Prior Year	<u>\$ 37,596</u>
Less:	
Prior Year Ending Cash Balance Error	\$ (662)
Prior Year Omitted Outstanding Checks	(6)
Prior Year Deposit In Transit Error	<u>(150)</u>
Subtotal To Cash Adjustment	<u>(818)</u>
Net Assets Beginning Balance - Restated	<u><u>\$ 36,778</u></u>



**UNION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**



**UNION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 1,362,472	\$ 1,362,472	\$ 1,770,052	\$ 407,580
In Lieu Tax Payments	110,000	110,000	147,273	37,273
Excess Fees	161,918	161,918	271,201	109,283
Licenses and Permits	10,250	10,250	12,523	2,273
Intergovernmental Revenue	191,500	191,500	191,374	(126)
Miscellaneous	271,062	346,062	288,307	(57,755)
Interest	17,500	17,500	68,350	50,850
Total Revenues	<u>2,124,702</u>	<u>2,199,702</u>	<u>2,749,080</u>	<u>549,378</u>
<b>EXPENDITURES</b>				
General Government	1,239,626	1,277,684	1,200,891	76,793
Protection to Persons and Property	58,104	58,104	56,834	1,270
Social Services	8,500	8,500	1,903	6,597
Recreation and Culture	2	50,002	18,670	31,332
Debt Service	99,022	174,022	162,056	11,966
Capital Projects	1,000,000	1,000,000	398,120	601,880
Administration	501,354	483,296	416,663	66,633
Total Expenditures	<u>2,906,608</u>	<u>3,051,608</u>	<u>2,255,137</u>	<u>796,471</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(781,906)</u>	<u>(851,906)</u>	<u>493,943</u>	<u>1,345,849</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Financing Agreement Proceeds	1,000,000	1,000,000	1,000,000	
Transfers To Other Funds	<u>(808,613)</u>	<u>(808,613)</u>	<u>(600,000)</u>	<u>208,613</u>
Total Other Financing Sources (Uses)	<u>191,387</u>	<u>191,387</u>	<u>400,000</u>	<u>208,613</u>
Net Changes in Fund Balance	(590,519)	(660,519)	893,943	1,554,462
Fund Balance - Beginning (Restated)	<u>590,519</u>	<u>660,519</u>	<u>2,261,172</u>	<u>1,600,653</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,155,115</u>	<u>\$ 3,155,115</u>

**UNION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
License and Permits	\$ 500	\$ 500	\$	\$ (500)
Intergovernmental Revenue	1,075,643	1,075,643	1,117,442	41,799
Miscellaneous	231,500	231,500	252,174	20,674
Interest	107,000	107,000	80,169	(26,831)
Total Revenues	<u>1,414,643</u>	<u>1,414,643</u>	<u>1,449,785</u>	<u>35,142</u>
<b>EXPENDITURES</b>				
General Government	415,000	465,000	375,011	89,989
Roads	1,610,100	1,767,221	1,159,504	607,717
Capital Projects	85,000	85,000		85,000
Administration	338,350	301,229	285,955	15,274
Total Expenditures	<u>2,448,450</u>	<u>2,618,450</u>	<u>1,820,470</u>	<u>797,980</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,033,807)</u>	<u>(1,203,807)</u>	<u>(370,685)</u>	<u>833,122</u>
Net Changes in Fund Balance	(1,033,807)	(1,203,807)	(370,685)	833,122
Fund Balance - Beginning	<u>1,033,807</u>	<u>1,203,807</u>	<u>3,126,867</u>	<u>1,923,060</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,756,182</u>	<u>\$ 2,756,182</u>

**UNION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

<b>JAIL FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 241,958	\$ 242,958	\$ 277,531	\$ 34,573
Charges for Services	33,500	44,440	40,367	(4,073)
Miscellaneous	11,000	13,000	9,723	(3,277)
Interest	100	100	11	(89)
Total Revenues	<u>286,558</u>	<u>300,498</u>	<u>327,632</u>	<u>27,134</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	797,821	828,699	679,054	149,645
Administration	312,350	295,412	242,881	52,531
Total Expenditures	<u>1,110,171</u>	<u>1,124,111</u>	<u>921,935</u>	<u>202,176</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(823,613)</u>	<u>(823,613)</u>	<u>(594,303)</u>	<u>229,310</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	<u>808,613</u>	<u>808,613</u>	<u>600,000</u>	<u>(208,613)</u>
Total Other Financing Sources (Uses)	<u>808,613</u>	<u>808,613</u>	<u>600,000</u>	<u>(208,613)</u>
Net Changes in Fund Balance	(15,000)	(15,000)	5,697	20,697
Fund Balance - Beginning	<u>15,000</u>	<u>15,000</u>	<u>4,920</u>	<u>(10,080)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,617</u>	<u>\$ 10,617</u>

**UNION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 4,914,400	\$ 5,980,400	\$ 3,067,621	\$ (2,912,779)
Charges for Services	122,000	122,000	125,289	3,289
Miscellaneous	277,500	339,265	321,155	(18,110)
Interest	15,000	15,000	8,701	(6,299)
Total Revenues	<u>5,328,900</u>	<u>6,456,665</u>	<u>3,522,766</u>	<u>(2,933,899)</u>
<b>EXPENDITURES</b>				
General Government	438,100	523,590	464,158	59,432
Protection to Persons and Property	884,694	886,919	384,788	502,131
General Health and Sanitation	170,632	187,884	121,111	66,773
Social Services	257,300	281,997	252,420	29,577
Recreation and Culture	624,694	652,892	217,410	435,482
Roads	140,000	119,961		119,961
Bus Services	95,000	95,000	91,485	3,515
Capital Projects	2,900,000	3,903,136	1,744,522	2,158,614
Administration	207,800	194,606	187,070	7,536
Total Expenditures	<u>5,718,220</u>	<u>6,845,985</u>	<u>3,462,964</u>	<u>3,383,021</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(389,320)</u>	<u>(389,320)</u>	<u>59,802</u>	<u>449,122</u>
Net Changes in Fund Balances	(389,320)	(389,320)	59,802	449,122
Fund Balances - Beginning	<u>389,320</u>	<u>389,320</u>	<u>628,095</u>	<u>238,775</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 687,897</u>	<u>\$ 687,897</u>

**UNION COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2009**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

THIS PAGE LEFT BLANK INTENTIONALLY



**UNION COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2009**



**UNION COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2009**

	<b>Grant Fund</b>	<b>Debt Service Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 10,269	\$ 104,221	\$ 114,490
Total Assets	<u>10,269</u>	<u>104,221</u>	<u>114,490</u>
<b>FUND BALANCES</b>			
Fund Balances:			
Unreserved:			
Special Revenue Funds	10,269		10,269
Debt Service Fund		<u>104,221</u>	<u>104,221</u>
Total Fund Balances	<u>\$ 10,269</u>	<u>\$ 104,221</u>	<u>\$ 114,490</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**UNION COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2009**



**UNION COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2009**

	<b>Grant Fund</b>	<b>Debt Service Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>			
Intergovernmental	\$	\$ 89,440	\$ 89,440
Charges for Services	10,169		10,169
Total Revenues	<u>10,169</u>	<u>89,440</u>	<u>99,609</u>
<b>EXPENDITURES</b>			
Protection to Persons and Property	9,400		9,400
Debt Service		58,016	58,016
Total Expenditures	<u>9,400</u>	<u>58,016</u>	<u>67,416</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>769</u>	<u>31,424</u>	<u>32,193</u>
Net Change in Fund Balances	769	31,424	32,193
Fund Balances - Beginning	9,500	72,797	82,297
Fund Balances - Ending	<u>\$ 10,269</u>	<u>\$ 104,221</u>	<u>\$ 114,490</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Jody L. Jenkins, Union County Judge/Executive  
Members of the Union County Fiscal Court

**Report On Internal Control Over Financial Reporting  
And On Compliance and Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the governmental activities, the business-type activities, each major fund, and the aggregate remaining funds of Union County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents, and have issued our report thereon dated November 3, 2009. Union County's financial statements are prepared in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Union County's internal control over financial reporting as a basis for designing our auditing procedures for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Union County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Union County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the following deficiencies described in the accompanying comments and recommendations as items 2009-01, 2009-02, 2009-03, 2009-04, and 2009-05 to be significant deficiencies in internal control over financial reporting.



Report On Internal Control Over Financial Reporting  
And On Compliance and Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies listed above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Union County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such opinions. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2009-06, 2009-07, and 2009-08.

The Union County Judge/Executive's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Judge/Executive's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of Union County Fiscal Court and the Department for Local Government and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a stylized, flowing script.

Crit Luallen  
Auditor of Public Accounts

November 3, 2009

**UNION COUNTY  
COMMENTS AND RECOMMENDATIONS**

**For The Year Ended June 30, 2009**



**UNION COUNTY  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended June 30, 2009**

**INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:**

**2009-01 Lack Of Adequate Internal Controls Over The Collection Of And Accounting For Occupational And Net Profits Taxes**

During testing of occupational and net profit taxes, we noted that two batch daily totals were missing from the occupational tax subsidiary ledger, there were missing tax returns for two employers, there is no documentation of when tax returns were received, one tax return was dated six months prior to the deposit date, occupational tax returns are not processed daily, net profit returns were missing for four employers, tax payer files contained outdated information, delinquent net profit and occupational taxes are not maintained nor are the delinquent taxes collected. The treasurer maintains all occupational and net profit tax records, prepares deposits, posts receipts and prepares the quarterly financial report with no one else reviewing tax collections or postings unless the treasurer is absent. When the treasurer is absent the deposit and postings are prepared by the finance officer. The control deficiency described above is considered to be significant and material. We recommend tax forms be stamped with the date received, attached to envelopes received in, occupational tax ledger be printed at year end, occupational tax payer files should be updated, occupational tax returns be processed when received, and collection of delinquent taxes be attempted. These processes should be reviewed by someone other than the treasurer and the review should be documented.

*County Judge/Executive Jody Jenkins' Response: Efforts have recently been implemented to comply with recommendation made.*

**2009-02 Lack Of Adequate Segregation Of Duties Over Revenues And Bank Reconciliations And Financial Statement Preparation**

During testing we noted that there is a lack of segregation of duties over revenues and bank reconciliations. The treasurer performs all accounting functions over cash and receives, posts, and reconciles revenues as well as prepares the quarterly financial statements. There were no documented compensating controls to offset the lack of segregation of duties or reduce the deficiency to less than significant level. We recommend the fiscal court implement the following compensating internal controls.

1. Have someone independent of the treasurer's office review and re-compute the bank reconciliation. Outstanding items should be reviewed. The review/re-computation should be documented.
2. Have someone independent of the treasurer's office compare receipts listing to the daily check out sheets to the receipts ledger to determine all receipts are properly accounted for. The review should be documented.
3. Have someone independent of the treasurer's office trace balances on the quarterly reports to the general ledger in order to validate amounts reported on the financial statements. This process should be documented.

*County Judge/Executive Jody Jenkins' Response: We will be implementing the recommendation to the best of our ability.*

**UNION COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**For The Year Ended June 30, 2009**  
**(Continued)**

**INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:**  
**(Continued)**

**2009-03 Lack Of Adequate Internal Controls Over Decentralized Receipts**

During testing of receipts auditor noted that receipts were collected in locations other than the treasurer's office. Monies are collected by the staff at Moffit Lake, the Union County Jail, the Dog Warden, Senior Citizens Meal Sites, and Camp Breckinridge Museum. These funds are later remitted to the County Treasurer's office. The Dog Warden and Moffit Lake staff issue two part receipts but do not remit a copy to the treasurer's office. The Museum only issues receipts if requested. We recommend that three part receipts be issued to all customers/tax payers. The books should be maintained by the Treasurer's office and all receipts should be reconciled to the books. We also recommend a cash register be utilized at the Museum and Moffit Lake and signs posted if a receipt is not issued please contact the County Treasurer or County Judge Executive's offices.

*County Judge/Executive Jody Jenkins' Response: These modifications will be submitted to each respective committee and discussed with the managers of each facility.*

**2009-04 Lack Of Adequate Internal Controls Over Expenditures**

During testing of expenditures we noted that unused checks were kept in an unsecure location, one vehicle was not properly bid in accordance with the County's administrative code, eight expenditures (including credit card expenditures) were missing supporting documentation, one vendor (Rogers Group) was underpaid by \$11, and auditor observed several invoices not stamped paid. The control deficiencies listed above are considered to be significant and material. We recommend the following internal controls be implemented: that checks be kept in a locked secure location such as a safe or vault, the county's administrative code be followed as it pertains to the required bid process, Rogers Group be paid the \$11 due and invoices be re-added, and all invoices be stamped paid.

*County Judge/Executive Jody Jenkins' Response: Rogers Group has been contacted & will issue invoice for payment due them.*

**2009-05 The Union County Jail Lacks Adequate Segregation Of Duties Over The Accounting Functions**

A lack of segregation of duties exists over the accounting functions at the Union County Jail. One employee collected inmate fees, prepared deposits, made deposits, prepared monthly reports, remitted monthly reports along with inmate fees to the county treasurer, reconciled the bank account and made payments from the bank account. There were no compensating controls implemented that would offset the lack of segregation of duties. We recommend the Jailer segregate duties or implement the following compensating controls:

- The Jailer should periodically compare the daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger. Any differences should be reconciled. The Jailer could document this by initialing the bank deposit, daily deposit, and receipts ledger for the day checked.



**UNION COUNTY  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended June 30, 2009  
(Continued)**

**INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:**  
(Continued)

**2009-05 The Union County Jail Lacks Adequate Segregation Of Duties Over The Accounting Functions (Continued)**

- The Jailer should compare the monthly, quarterly, and annual financial reports to receipts and disbursements ledgers for accuracy. Any differences should be reconciled. The Jailer could document this by initialing the receipts and disbursements ledgers or denoting the comparison on the financial reports.
- The Jailer should periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The Jailer could document this by initialing the bank reconciliation and the balance in the checkbook

*County Jailer James Marty Girten's Response: Efforts have recently been implemented to segregate duties and double check daily check out sheets ledger receipts.*

**STATE LAWS AND REGULATIONS:**

**2009-06 The Jailer Should Require Daily Receipt Batching, Daily Check Out Sheets, And Daily Deposits**

During testing of Jail Commissary records, we noted that receipts were not batched daily and tallied on a daily check out sheet and deposits were not made daily. Jail Commissary Fund Instructions issued by the Department for Local Government require daily deposits and a daily check out sheet where receipts are batched and categorized as part of the minimum accounting requirements for the Jail Commissary as prescribed by KRS 68.210. We recommend the Jailer require receipts be batched daily, tallied on a daily check out sheet, and deposited daily in order to be in compliance with the minimum accounting standards as prescribed by KRS 68.210

*County Jailer James Marty Girten's Response: This recommendation has been implemented.*

**2009-07 The Jailer Should Require Accurate Accounting Records Be Maintained**

While testing the Jail Commissary, auditor noted that reports being generated were only recaps of the bank statement. The checking account balances were not reconciled to include outstanding checks or deposits in transit. The accounting software (Cobra Banker) reconciliation includes only items that clear the bank. The bookkeeper was not using the outstanding check list to reconcile the bank account. We recommend the Jailer require accurate accounting records be maintained in order to be in compliance with KRS 68.210.

*County Jailer James Marty Girten's Response: All checks & deposit are being recorded on other software to maintain outstanding checks & deposits.*

**UNION COUNTY  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended June 30, 2009  
(Continued)**

**STATE LAWS AND REGULATIONS:** (Continued)

**2009-08** The Jailer Should Submit A Year-End Canteen Report To The County Treasurer

During testing of jail canteen records, we noted that the Jailer did not submit a year-end canteen report to the County Treasurer. KRS 441.135(2) states that the Jailer shall keep books of accounts of all receipts and disbursements from the canteen and shall annually report to the County Treasurer on the canteen account. The Jailer did submit a balance sheet report to the County Treasurer monthly, but the amounts included were not reconciled amounts. We recommend the Jailer submit a year-end report to the County Treasurer in accordance with KRS 441.135(2).

*County Jailer James Marty Girtten's Response: We'll follow the recommendation and submit a year-end report to the County Treasurer.*

**CERTIFICATION OF COMPLIANCE –  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**UNION COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2009**



CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
UNION COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2009

The Union County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Jody Jenkins  
County Judge/Executive

  
\_\_\_\_\_  
Lissa Gibson  
County Treasurer

